

Date: March 19, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Selection of B. Wallace Design & Construction and Andrew Roby
General Contractor for Southside Homebuilders

Executive Summary

In December 2012 the City of Durham issued a Request for Qualifications (RFQ), soliciting qualifications for homebuilders for the construction of up to 48 single-family homes as part of the Southside neighborhood redevelopment. Four proposals were received and evaluated by a five-person review panel. The panel was also charged with making a recommendation of selecting either one or a maximum of two contractors. The proposals received from B. Wallace Design & Construction and Andrew Roby General Contractor received the highest average scores and the panel decided unanimously to recommend both contractors as the approved builders for the first phase of development.

Recommendation

The Department of Community Development recommends that City Council approve the selection of B. Wallace Design & Construction and Andrew Roby General Contractor as the homebuilders for the first 48 lots in the Southside neighborhood redevelopment.

Background

The 48 lots that comprise the initial redevelopment are among the 71 residential parcels being acquired from Self-Help by the City of Durham. These lots are located primarily on Hillside Avenue, South Street and Scout Drive.

Issues and Analysis

The RFQ solicited proposals from General Contractors for the construction of up to forty-eight (48) single-family homes as part of the Southside neighborhood redevelopment. The scope of work consists of construction of single-family homes, fine grading, landscaping and installation of street trees. It is the City's intention to create a mixed income community with the majority of homes available to income qualified purchasers while establishing architectural guidelines and high quality standards for all homes. To this end, the City has engaged Michael O'Brien Architects to design a portfolio of eight different floor plans with almost limitless variations to the exteriors to appeal to affordable buyers as well as market rate buyers. The City's vision for Southside is to create a community that looks like a market rate neighborhood in terms of style, materials and design, while still being affordable to low to moderate income households.

As stated in the RFQ, proposals were reviewed and evaluated on a 100 point basis as follows:

Experience (30 points) describing single-family home projects competed in the last three years, with emphasis on Craftsman style homes, or comparable, including photographs.

Financial Stability (15 points) describing any adverse financial occurrences, such as: foreclosures, bankruptcies, real property tax delinquencies, mortgage assignments or any projects not completed within budget.

Capacity (15 points) describing the builder's ability to complete and market single-family homes in a timely manner and within budget, assuming no pre-sales and assuming having some pre-sales. This section required a letter from a recognized lender evidencing the availability and amount of construction financing available.

Marketing and Sales Methods (20 points) describing the firm's methods of marketing and selling homes, including the use of advertising, realtors, open houses, and financial resources builder is willing to commit to the project.

Construction Costs and Pricing (20 points) providing the builder's cost breakdown for two of the O'Brien Architecture designed house plans.

In addition to B. Wallace and Andrew Roby, proposals were received from Callis Contractors, Inc. and R. D. Construction.

The proposals were reviewed by a panel including representation from General Services, City/County Planning, Equal Opportunity and Equity Assurance and Community Development. Average scores for the four submittals are presented in the following table.

Name	Experience	Financial Stability	Capacity	Marketing & Sales Methods	Construction Costs & Pricing	Score Out of 100
Andrew Roby	20	14.75	13	14.50	16	78.25
B. Wallace	24.50	14.75	14.25	17.75	3	74.25
Callis Const.	14.25	15	6.5	12.50	0	48.25
R. D. Construction	26.25	13	14	13	0	66.25

Members of the review panel unanimously agreed that having two builders whose strengths and ability to work together would complement each other and would produce the best outcome for the project and the community.

B. Wallace has been a licensed General Contractor in Durham for more than 8 years and has completed construction of dozens of single-family homes, many of which are located in the Tuscaloosa-Lakewood neighborhood in Durham as well as a 23 unit townhome community. The single-family homes range in size from 1350 to 1750 square feet and are all Craftsman style. Currently under construction are 8 new homes in the Craftsman style on North Street in Durham. Of particular importance is the fact that all of these homes were pre-sold prior to the commencement of construction. B. Wallace maintains an active list of potential buyers and once approved as one the two builders in the Southside neighborhood, will begin marketing

efforts to pre-sell homes there to low-mod income families and market rate urban pioneers. One of the additional benefits that B. Wallace offers is a portfolio of at least five new house plans ranging in size from 1450 to 1750 square feet with the ability to add more. The quality of design, materials and interior and exterior finishes integrate well with those set forth by the project architect, Michael O'Brien. In addition, since B. Wallace has built and sold infill housing in and near downtown Durham, they have established excellent sales comparables.

Andrew Roby is a family owned business, founded in Charlotte, primarily building and remodeling infill homes and has held a General Contractors license for 63 years. They have built a broad spectrum of homes ranging from very modest to very large custom homes and have grown across the state to include Durham, Boone and Atlantic Beach. One of Roby's strengths is they have a designated marketing person who will develop a plan in concert with B. Wallace to reach out and market to the community, local colleges and universities and Duke and UNC Medical Centers. Their pricing is very aggressive and they plan to build homes primarily from the O'Brien portfolio, thus offering a different, yet compatible product to B. Wallace.

At the completion of the infrastructure installation and grading, each builder will construct 2 spec homes at a location mutually agreed upon by the City and the builders. These houses will create the hub of activity in the neighborhood and will also serve as models. As each of these homes is sold, the builder will commence construction on a new home, so there will be continuous, ongoing construction with product on the ground. The two homebuilders, together with the City, will determine how to phase the development and the number of lots to be made available in each phase. It is anticipated that the initial home prices are expected to range from approximately \$145,000 to \$196,000.

To ensure the success of the project, a comprehensive buyer incentive program of forgivable loans and low interest amortizing loans has been developed by the Department of Community Development to include financing options from the City, Duke University and the North Carolina Housing Finance Agency, tailored to each buyers needs. This program is being presented to Council as a separate agenda item.

The Department of Community Development will engage the services of Martin & Company, real estate appraisers, to determine an estimate of value of the lots to be sold to the homebuilders. Subsequently, the Department will set a public hearing on the pricing of the lots. Formal contracts between the City and each homebuilder will be executed including, but not limited to, the purchase price of each lot, building timetables and schedules and marketing plans. It is also the intention of the City to establish a homeowners association to enforce restrictive covenants. The Department intends to set the public hearing and present the contracts to Council in the next agenda cycle.

Alternatives

The alternatives to selecting B. Wallace and Andrew Roby are to select two other proposals, or determine that only one builder for the entire phase would be suitable.

Financial Impact

Contracts associated with the sale of lots to the homebuilders will be in the upcoming agenda cycle.

SDBE Summary

The Equal Opportunity/Equity Assurance Department reviewed the proposals submitted by B. Wallace Design and Construction of Durham, North Carolina and Andrew Roby, Inc. of Cary, North Carolina and have determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE Requirements

SDBE participation goals have been set at 15% MSDBE and 5% WSDBE. As part of the RFQ submittal, both homebuilders were required to submit an Equal Business Opportunity Program Plan outlining proposed efforts to ensure that the goals are met.

Workforce Statistics

Workforce statistics for B. Wallace Design and Construction are as follows:

Total Workforce	2	
Total Females	1	(50%)
Total Males	1	(50%)
Black Males	0	(0%)
White Males	1	(50%)
Other Males	0	(0%)
Black Females	0	(0%)
White Females	1	(50%)
Other Females	0	(0%)

Workforce statistics for Andrew Roby, Inc. are as follows:

Total Workforce	4	
Total Females	3	(75%)
Total Males	1	(25%)
Black Males	0	(0%)
White Males	1	(25%)
Other Males	0	(0%)
Black Females	0	(0%)
White Females	3	(75%)
Other Females	0	(0%)

Attachments

Attachment A- copy of Lot Layout Plan

Attachment B- B. Wallace brochure with house plans

Attachment C- Michael O'Brien house plans